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STATE PASS FCC FOR COMMISSIONER ADELSTEIN
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SUBJECT: FCC COMMISSIONER ADELSTEIN DISCUSSES BROADBAND, DIGITAL TV
AND SPECTRUM WITH JAPANESE OFFICIALS

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¶1. (SBU) Summary: Japan's focus since 2000 on infrastructure expansion as a national priority has yielded good results, with nearly all Japanese households now having access to broadband Internet, Ministry of Internal Affairs and Communications (MIC) Vice Minister Akira Terasaki told FCC Commissioner Jonathan Adelstein June 9. However, the GOJ has met with active resistance to increased broadband subscriptions from certain ministries, as well as from physicians' and teachers' associations. Commissioner Adelstein noted while Japan may have allocated a much larger budget than the U.S. to fund the transition from analog to digital television, it also faces a bigger challenge since far more Japanese consumers rely solely on over-the-air broadcasts. Vice Minister Terasaki asserted Japan's unique system prevents the use of auctions to reallocate spectrum and said the GOJ will rely instead on annual usage fees to facilitate this process. End Summary.

¶2. (U) Federal Communications Commission (FCC) Commissioner Jonathan Adelstein, while in Tokyo to speak at the Global Information and Communications Technology Summit 2009, raised broadband deployment, transition to digital television, spectrum policy and regulation in meetings June 9 with MIC Vice Minister for Policy Coordination Akira Terasaki. Commissioner Adelstein also met with the National Association of Broadcasters, the American Chamber of Commerce in Japan, two Japanese telecom providers -- NTT DoCoMo and KDDI - and gave an interview with the Nikkei newspaper.

Broadband Deployment -- A National Priority

¶3. (SBU) Vice Minister Terasaki attributed Japan's progress in expanding infrastructure for supporting broadband Internet to a GOJ decision in 2000 that made such access a national priority. Since then, MIC has developed four strategic plans to advance broadband deployment. The result is nearly 99 percent of Japanese households now have broadband access and almost 90 percent have access to ultra high-speed broadband. The DSL service in Japan offers download speeds over 50 Mbps (megabits per second) and, with the government supporting optical fiber with speeds of up to 1 Gbps (gigabit per second), fiber-to-the-home subscribers now exceed 14 million households.

¶4. (SBU) Japan's success in broadband deployment aside, Vice

Minister Terasaki noted several possible factors for why broadband subscription rates in Japan (65 percent) are not much higher than rates in the U.S. (57 percent). Despite the higher quality and lower cost available in Japan compared to in the U.S., Terasaki said it will take time for content, services, and consumer use to adapt in response to better available infrastructure. He also acknowledged active resistance from some in Japan, including certain government ministries, as well as from physicians' and teachers' associations. He said the Information Technology Strategy Headquarters, chaired by the Prime Minister, seeks to address such impediments.

Transition to Digital Television

¶15. (SBU) Commissioner Adelstein's interlocutors expressed considerable interest in the U.S. experience transitioning from analog to digital television broadcasting. In response to a suggestion from members of Japan's National Association of Broadcasters that they come and observe the process, Commissioner Adelstein suggested a visit at a later date to allow the FCC and U.S. broadcasters time to first address issues arising from the change.

¶16. (SBU) The Ministry of Communications shared with the Commissioner a comprehensive USD3.6 billion plan for Japan's transition to digital that is scheduled to commence in July 2011. Commissioner Adelstein praised the plan, noting Japan is far ahead of where the U.S. was at this stage. He cautioned, however, that Japan has a much greater challenge ahead. In the U.S., 86 percent of viewers already subscribe to some form of Pay-TV (cable, satellite,

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Internet), so the proportion of the population relying on over-the-air broadcasts is relatively small. In contrast, only 30 percent of Japanese viewers use cable and generally watch only what is provided by local broadcasters.

¶17. (SBU) The MIC anticipates little consumer interest in set-top converters, which typically cost two to five times more in Japan than in the U.S. With inexpensive digital televisions available for as little as \$140, the Ministry expects most consumers to forego a set-top converter and instead purchase a new set. To facilitate the process, the GOJ identified digital televisions as one of three product classes (along with air conditioners and refrigerators) to which it will apply the "eco-point program." The program provides incentives to purchase digital televisions, energy efficient appliances and recycling by awarding points consumers may then apply to other purchases.

Spectrum Policy and Telecommunications Regulation

¶18. (SBU) Vice Minister Terasaki said MIC will not consider auctions to reallocate spectrum made available by the transition to more efficient digital content; instead, it will apply an annual usage fee. He acknowledged the logic of the FCC's independent regulatory role, but asserted Japan's unique system prevents it from adopting a similar model. One business representative told Commissioner Adelstein his company pays far less for spectrum in Japan than in the U.S., explaining the GOJ's lack of auctions is designed to encourage companies to allocate more resources for research and development, building infrastructure, and additional services.

¶19. (U) Commissioner Adelstein cleared this message after departing Tokyo.

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